

## **Making a World of Difference for Colorado Wheat Growers**

Finding and keeping domestic and export markets for wheat is critical to the prosperity of Colorado's wheat industry. Colorado wheat production averaged 84.8 million bushels between 1989-98; about 80 percent of that wheat was exported overseas.

These exports did not happen by themselves. They resulted, in large part, from efforts designed to develop, maintain and increase export sales. Much of this work is performed by the Colorado Wheat Administrative Committee (CWAC).

CWAC is a marketing order funded by a producer-approved assessment of one cent per bushel. The funds from this assessment support education, research and promotional programs designed to increase the consumption and utilization of Colorado wheat. Many of these programs deal with domestic and export promotion. Some examples of these domestic and export initiatives include the following:

- Membership in U.S. Wheat Associates (USWA) to conduct specific export promotion and foreign market development programs on behalf of Colorado and U.S. wheat producers. Exports accounted for 45 percent of total wheat usage in the 1997-98, marketing year, and was responsible for \$1.85 per bushel of the national average price of \$3.38 per bushel. In addition, CWAC works directly with USWA to help carry out some of these programs. Recent USWA - CWAC programs include hosting the visits to Colorado of trade teams from the wheat-importing countries of Japan, Jordan and Ecuador.
- Membership in the Wheat Export Trade Education Committee (WETEC), which provides information and educational materials to government officials and agencies, Congress and the public about wheat export issues. Many of these issues center around building support for export promotion efforts such as the Foreign Market Development Program (FMD), the Export Enhancement Program (EEP) and the Market Access Program (MAP). USWA conducts activities under the FMD and MAP programs, each of which receives some U.S. government funding.
- Membership in the Wheat Foods Council which is the domestic promotion arm of the U.S. wheat industry. Domestic "food use" accounted for 40 percent of total wheat usage in the 1997-98 marketing year, and was responsible for \$1.35 per bushel of the national average price of \$3.38 per bushel. Per capita consumption of wheat foods is steadily rising and now stands at 150 pounds - the highest level since 1946.

CWAC also supports wheat research conducted at Colorado State University (CSU). Although research programs do not always lead directly to new sales, such efforts can - and often do - improve the competitiveness of Colorado wheat in the domestic and international marketplace. The research has already led to breakthroughs such as:

- The development of new wheat varieties with improved milling and baking qualities (Akron, Yuma, Lamar);
- The development of winter wheat varieties that are resistant to the Russian wheat aphid, a notorious insect pest (Halt, Yumar, Prowers, Prairie Red);
- The development of new winter wheat varieties that are herbicide resistant to jointed goatgrass, downy brome and volunteer rye;
- The development of new hard red and hard white winter and spring varieties for Colorado.

That's a quick review of the traditional programs that CWAC invests the producer assessment into.

## **U.S. Wheat Export Market Development**

### **Creating More Conditions to Sell More Wheat**

U.S. wheat farmers grow billions of bushels of wheat each year. Americans generally consume less than half of this wheat in the form of cereals, breads, cookies, pastas and other wheat-based foods. During the last decade, about half of the wheat grown in the U.S. has been exported. Clearly, the U.S. wheat industry depends on export sales for much of its profitability. And high-volume U.S. wheat exports have also made the United States the leading wheat exporter in the world.

However, export market development is not an easy task. To develop markets successfully, exporters must know the market, be able to provide technical assistance and customer service to overseas buyers, and make sure that potential users know about the product in the first place. Most farmers and processors have neither the time nor the resources to undertake these tasks themselves.

This is where U.S. Wheat Associates (USWA), the U.S. wheat industry's export market development organization, serves a vital purpose. USWA's mission is simple: to promote U.S. wheat exports. To do this, USWA works in 130 countries to increase wheat consumption and U.S. market share for all classes of U.S. wheat. USWA doesn't buy, sell or process wheat. It devotes its resources exclusively to market development to create the conditions that make it possible to sell more U.S. wheat to other countries.

## **Why Export?**

Some farmers may wonder whether export sales are worth pursuing. A few very important reasons to promote wheat exports are that Americans consume less than half of the wheat our farmers produce, and that *our country's population accounts for less than five percent of the world's potential wheat consumers*. Also, the population of the rest of the world is rapidly growing, and conditions in many foreign countries are creating opportunities to sell more wheat. Of course promoting domestic wheat consumption is important, but overseas market development opportunities also need to be pursued. This makes USWA's mission even more important.

High-volume U.S. wheat exports, along with other agricultural exports, not only benefit farmers, but are crucial to the health of the entire U.S. economy. Wheat is one of the top U.S. agricultural exports, and agricultural exports are one of only a handful of U.S. export products that have a positive trade balance. And high-volume agricultural exports generate jobs. Economists have determined that agricultural exports, including wheat exports, create nearly one million U.S. jobs both on and off the farm and generate \$60 billion in support services to harvest, process, package, store, transport and market products. Clearly, wheat and other agricultural exports are value-added exports.

Wheat and agricultural exports are important, but why do we need a promotional organization like USWA when grain companies already sell U.S. wheat to other countries? The answer is simple: grain companies are involved in selling wheat or grain rather than developing markets. They also do not sell U.S. grain exclusively. USWA works to increase overseas sales of wheat, and only wheat that is produced in the United States.

## **Who Buys U.S. Wheat?**

The high volume of wheat exported by the United States makes it the largest exporter of wheat in the world with nearly 100 countries from every part of the globe importing U.S. wheat each year. Top buyers in recent years have included Japan, China, Egypt, the Philippines, Korea, Pakistan, Algeria, Nigeria, Morocco and Taiwan. During the 1990's, improving economies in countries such as the Philippines, Pakistan, Mexico, Thailand and South Africa resulted in increased sales; while other circumstances caused some customers, such as the Former Soviet Union, to decrease imports.

Through its global office network, USWA is constantly monitoring changes in export markets and working with importers and others to take advantage of opportunities in new markets, maintain and increase sales in solid markets and develop new programs as needed. As we approach the 21st century, many countries will be in a position to increase their wheat imports, and USWA will be working to ensure that U.S. wheat is what they buy.

## **A New Trading Environment**

The 1990s have ushered in a new environment for world trade in wheat and other agricultural commodities through completion of the North American Free Trade Agreement and the Uruguay Round of the General Agreement on Tariffs and Trade, which resulted in the establishment of the World Trade Organization. The United States and other countries participating in the Uruguay Round agreed to reduce agricultural export subsidies, but are allowed to spend unlimited funds on export promotion. Another significant change in the 1990s is wheat import privatization: countries that once relied on their governments to import wheat are turning that task over to private importers. These changes are expected to expand sales of wheat and other agricultural products - a fact that other exporters such as Canada, Australia and the European Union will not overlook. Prior to the Uruguay Round, some competitor countries were spending twice as much money as the United States on agricultural export market development. This makes programs such as those operated by USWA more important than ever if the United States hopes to benefit from the overall upturn in world agricultural trade.

## **Moving into the 21st Century**

New trade agreements, emerging private-sector economies and diplomatic openings in long-isolated countries are creating a 21st-century trade arena that will differ significantly from the late 20th-century world trade environment. USWA has anticipated these new challenges, and through its strategic planning process is positioning the U.S. wheat industry to take full advantage of future world trade and economic growth.

One of the most important recent changes is the trend in many countries to shift wheat import operations from the government to the private sector. History has shown that when privatization occurs, wheat consumption increases. Given current trends, 80 to 90 percent of the world grain trade may be privatized by the year 2000, compared to 50 percent in the early 1990s. This change will dramatically increase the number of potential wheat buyers, most of whom are unfamiliar with the U.S. grain marketing system, which can seem complex and puzzling to those unfamiliar with it. USWA's global network of overseas offices already in place makes it possible to immediately provide trade servicing and technical assistance to these new private sector importers.

## **Increasing Exports**

The U.S. Department of Agriculture has set a goal of increasing U.S. agricultural exports to \$65 billion by the year 2000, nearly double levels during the early 1990s. Meeting this goal will include selling billions of bushels of high-volume U.S. wheat exports, which will not only benefit U.S. wheat farmers, but the entire U.S. economy. Organizations like USWA and the commitment and support of the government, U.S. wheat producers and state wheat organizations like CWAC will help make meeting this goal possible.